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September 28, 2007

Weymouth Retirement Board  
807 Broad Street  
Weymouth, MA 02189

Dear Members of the Weymouth Retirement Board:

Stone Consulting, Inc. has performed a January 1, 2007 actuarial valuation of the Weymouth Retirement System. This valuation and report was prepared using generally accepted actuarial principles and practices and meets the parameters set by the Governmental Accounting Standards Board Statement (GASB) No. 25. To the best of our knowledge, this report is complete and accurate, and the assumptions used represent our best estimate of anticipated experience of the system.

As part of performing the valuation, Stone Consulting, Inc. was furnished member data by the Weymouth Retirement System's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary. In addition, the administrative staff furnished financial statements that were not audited by the actuary or by the plan's auditors.

The funding objective of the plan is to fully fund the system by 2028 or before while attempting to maintain a stable contribution amount for the upcoming fiscal year that is consistent with prior funding schedules or if employer finances allow it, to increase the contribution amount. The funding objective is being met.

We anticipate over time the contribution level to decrease as a percentage of payroll. The contribution rate is determined by adding the normal cost plus an amortization of the unfunded actuarial accrued liability. The normal cost is expected to remain at a level percentage of payroll. The number of years of the amortization and/or the rate of increase of the amortization is adjusted to maintain a stable contribution level for the upcoming fiscal year. The funding schedule length is thirteen years (maximum of 20 years) and the amortization increase is 1.35% per year, (maximum of 4.5%). These limits are contained in Chapter 32 of the Massachusetts General Laws.

The contribution amount for Fiscal 2009 is \$7,996,056 which is \$550 less than the anticipated contribution amount from the prior funding schedule. The Weymouth Retirement Board conducted their last valuation effective January 1, 2005. The guidelines promulgated by PERAC and GASB suggest biennial valuations; therefore, we recommend that the next valuation be conducted effective January 1, 2009.

We are pleased to present the results of this valuation. If the Retirement Board has any questions on the content of this report, we would be glad to respond. Please note that this report is meant to be used in its entirety. Use of excerpts of this report may result in inaccurate or misleading understanding of its contents.

Respectfully submitted,  
*STONE CONSULTING, INC.*  
Actuaries for the Plan

Lawrence B. Stone  
Member, American Academy of Actuaries



## WEYMOUTH RETIREMENT SYSTEM

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## WEYMOUTH RETIREMENT SYSTEM

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### INTRODUCTION

This report presents the results of the actuarial valuation of the Weymouth Retirement System. The valuation was performed at the request of the Retirement Board as of January 1, 2007 for the purpose of determining the contribution requirements for Fiscal Year 2009 and beyond. The contribution requirements are based on:

- The financial condition of the system as of December 31, 2006
- The benefit provisions of M.G.L. Chapter 32;
- The demographics of members in the system (i.e., active and inactive participants, retirees and beneficiaries as of January 1, 2007);
- Economic assumptions regarding salary increases and investment earnings; and
- Other actuarial assumptions (i.e., terminations, retirement, death, etc.)

### JANUARY 1, 2007 VALUATION SUMMARY

	January 1, 2007	January 1, 2005	Change
<b>Contribution Fiscal 2009</b>	\$7,996,056	\$7,996,606	(\$550)
<b>Funding Schedule Length</b>	13 years	15 years	-2 years
<b>Amortization Increase</b>	1.35%	2.45%	-1.10%
<b>Funding Ratio</b>	72%	65%	+ 7%
<b>Interest Rate Assumption</b>	8.00%	8.00%	0.00%
<b>Salary Increase Rate Assumption</b>	5.00%	5.00%	0.00%

- The Fiscal Year 2009 contribution is similar to the planned 2009 contribution. The System experienced an \$8.6 million net actuarial asset gain for calendar years 2005 and 2006. Stone Consulting, with agreement from the Retirement Board, uses market value of assets for valuation purposes.

The System experienced a 10.7% average return on the market value of assets versus our



## WEYMOUTH RETIREMENT SYSTEM

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assumption of an 8.00% return. The cumulative total return on assets over the two year period since the last actuarial valuation was conducted is 22.7%. The System's asset portfolio, effective December 31, 2006 was 78% equities and 22% fixed income and short-term investments. The interest rate assumption was maintained at 8.00% to reflect anticipated market performance.

- We have kept the salary increase rate at 5.00%, consistent with the 2005 actuarial valuation. Total compensation changed by 13.5% over the prior valuation (two years); however average annual compensation (compensation divided by number of active members) changed by 9.6% or 4.7% per year. The number of active members has increased, along with age and service. We consider average annual compensation as the best indicator for salary/wage growth.
- The funding level of the Weymouth Retirement System is 72% compared to 65% for the January 1, 2005 actuarial valuation. Chapter 68 requires a minimum funding ratio of 65% along with additional criteria in order to avoid being labeled an "under performing system". If you are considered an "under performing system" the system assets are required to be transferred to PRIT. The system is likely to remain over the 65% funding ratio level unless the market has a sustained downturn or there are significant changes to benefit provisions. The funding level is estimated to be in the third quartile of Massachusetts' Contributory Retirement Systems.

The schedule length is thirteen (13) years. The maximum period permitted under Chapter 32 of the Massachusetts General Laws is 20 years (2028). The amortization percentage was changed from 2.45% to 1.35%, while maintaining a FY2009 contribution level consistent with the prior valuation. The maximum amortization permitted under Chapter 32 is 4.5%. There are three small early retirement incentive bases. Two are being amortized over twenty (20) years with a 4.5% amortization increase and the other over twelve (12) years with a level amortization.

- All non-economic assumptions are consistent with the January 1, 2005 actuarial valuation.



## WEYMOUTH RETIREMENT SYSTEM

### JANUARY 1, 2007 ACTUARIAL VALUATION RESULTS

	January 1, 2007	January 1, 2005	Percentage Change
<b>Funding</b>			
• Contribution for Fiscal 2009	\$7,996,056		
• Contribution for Fiscal 2009 based on current schedule		\$7,996,606	0%
<b>Members *</b>			
• <i>Actives</i>			
a. Number	856	827	3.5%
b. Annual Compensation	\$34,808,391	\$30,671,431	13.5%
c. Average Annual Compensation	\$40,664	\$37,088	9.6%
d. Average Attained Age	47.3	46.8	1.1%
e. Average Past Service	10.5	9.9	6.1%
• <i>Retired, Disabled and Beneficiaries</i>			
a. Number	633	640	-1.1%
b. Total Benefits*	\$11,577,117	10,853,148	6.7%
c. Average Benefits*	\$ 18,289	\$16,958	7.9%
d. Average Age	76.9	73.3	5.0%
• <i>Inactives</i>			
a. Number	109	122	-10.7%
<b>Normal Cost</b>			
a. Total Normal Cost as of January 1, 2007	\$4,713,771	\$4,196,328	12.3%
b. Less Expected Members' Contributions	<u>3,020,790</u>	<u>2,594,607</u>	16.4%
c. Normal Cost to be funded by the Municipality	\$1,692,981	\$1,601,721	5.7%
d. Adjustment to July 1, 2008	128,548	121,618	5.7%
e. Administrative Expense Assumption	<u>264,400</u>	<u>345,000</u>	-23.4%
f. Normal Cost Adjusted to July 1, 2008	\$2,085,929	\$2,068,339	0.9%

\*Excluding State reimbursed COLA



## WEYMOUTH RETIREMENT SYSTEM

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### SUMMARY OF JANUARY 1, 2007 VALUATION (Continued)

	January 1, 2007	January 1, 2005	Percentage Change
<b>Actuarial Accrued Liability as of January 1, 2007</b>			
a. Active Members	\$86,893,860	\$74,360,955	16.9%
b. Inactive Members	898,502	929,922	-3.4%
c. Retired Members and Beneficiaries	<u>103,128,070</u>	<u>99,239,573</u>	3.9%
d. Total	\$190,920,432	\$174,530,450	9.4%
<b>Unfunded Actuarial Accrued Liability</b>			
a. Actuarial Accrued Liability as of January 1, 2007	\$190,920,432	\$174,530,450	9.4%
b. Less Actuarial Value of Assets as of January 1, 2007	<u>137,332,984</u>	<u>113,779,758</u>	20.7%
c. Unfunded Actuarial Accrued Liability as of January 1, 2007	\$53,587,448	\$60,750,692	-11.8%
d. Adjustment to July 1, 2008	<u>\$ 1,404,412</u>	<u>\$2,632,148</u>	
e. Unfunded Actuarial Accrued Liability as of July 1, 2008	\$54,991,860	\$63,682,840	



## WEYMOUTH RETIREMENT SYSTEM

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### DEMOGRAPHIC INFORMATION

Members	January 1, 2007	Percentage Change
• <i>Actives</i>		
a. Number	856	3.5%
b. Annual Compensation	\$34,808,391	13.5%
c. Average Annual Compensation	\$40,664	9.6%
d. Average Attained Age	47.3	1.1%
e. Average Past Service	10.5	6.1%
• <i>Retired, Disabled and Beneficiaries</i>		
a. Number	633	-1.1%
b. Total Annual Retirement Allowance excluding State-reimbursed COLA	\$11,577,117	6.7%
• <i>Inactives</i>		
a. Number	109	-10.7%

- The data was supplied by the Weymouth Retirement Board. The data was checked under broad parameters of reasonableness. With the assistance of the staff of the Weymouth Retirement Board, we were able to develop a database sufficient for valuation purposes.
- Payroll changed by 13.5% over the course of the past two years. Average annual compensation changed by 9.6% over the same time period.
- The salary increase assumption includes general wage adjustments, step increases, and promotional increases.



## WEYMOUTH RETIREMENT SYSTEM

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### *HISTORY OF ACTIVE PARTICIPANTS*

<b>Valuation Year</b>	<b>Number</b>	<b>Average Age</b>	<b>Average Past Service</b>	<b>Average Ann'l Compensation</b>
2007	856	47.3	10.5	\$40,664
2005	827	46.8	9.9	\$37,088
2003	823	46.0	9.2	\$34,299

- Employee age and service has increased by one year over the course of the past four years. Average annual compensation has grown by 18.6% over the same time period.

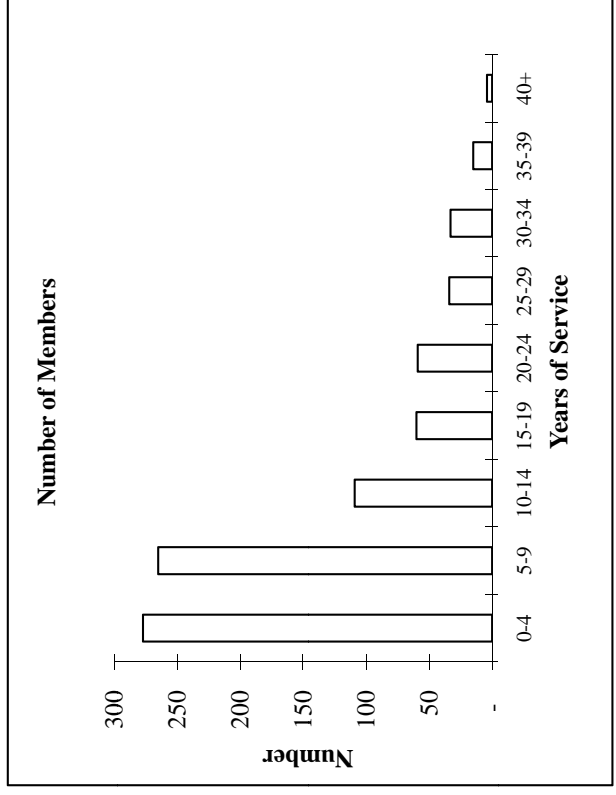
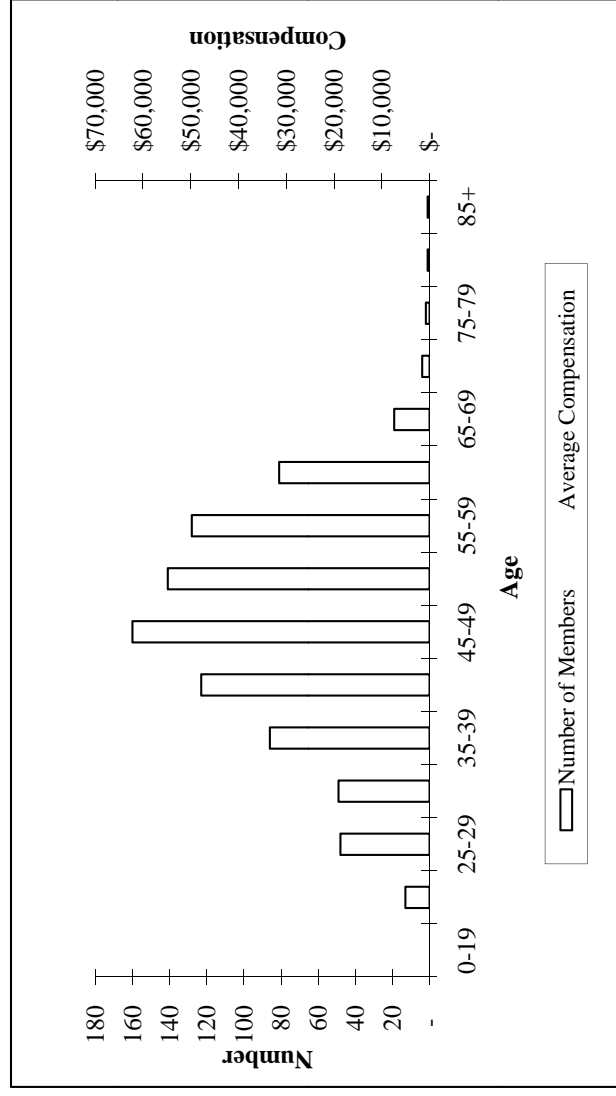
The charts on the following pages summarize demographic information regarding active and retiree members.





# **Weymouth Contributory Retirement System** **Distribution of Plan Members as of January 1, 2007** **Active Members**

AGE	0-4 Years	5-9 Years	10-14 Years	15-19 Years	20-24 Years	25-29 Years	30-34 Years	35-39 Years	40 + Years	Total	Total Compensation	Average Compensation
0-19	-	-	-	-	-	-	-	-	-	-	\$ -	\$ -
20-24	13	-	-	-	-	-	-	-	-	13	243,020	18,694
25-29	40	8	-	-	-	-	-	-	-	48	1,686,725	35,140
30-34	22	22	5	-	-	-	-	-	-	49	2,251,610	45,951
35-39	28	36	19	3	-	-	-	-	-	86	4,205,180	48,897
40-44	45	43	17	13	5	-	-	-	-	123	5,058,983	41,130
45-49	63	48	18	11	20	-	-	-	-	160	5,561,136	34,757
50-54	28	50	15	9	25	10	3	1	-	141	5,962,519	42,287
55-59	18	33	18	11	6	14	21	7	-	128	5,732,247	44,783
60-64	16	16	16	7	3	8	7	6	2	81	3,320,534	40,994
65-69	4	6	1	6	-	-	2	-	-	19	565,481	29,762
70-74	-	2	-	-	-	1	-	1	-	4	96,889	24,222
75-79	-	1	-	-	-	-	-	-	1	2	21,910	10,955
80-84	-	-	-	-	-	1	-	-	-	1	37,763	37,763
85+	-	-	-	-	-	-	-	-	1	1	64,394	64,394
<b>TOTAL</b>	<b>277</b>	<b>265</b>	<b>109</b>	<b>60</b>	<b>59</b>	<b>34</b>	<b>33</b>	<b>15</b>	<b>4</b>	<b>856</b>	<b>\$ 34,808,391</b>	<b>\$ 40,664</b>



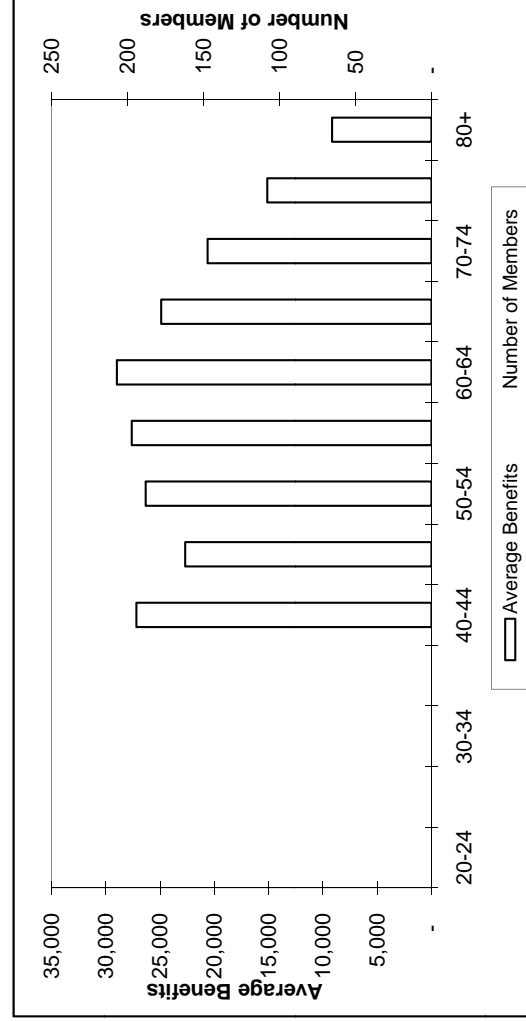


# Weymouth Contributory Retirement System Distribution of Plan Members as of January 1, 2007

## Retired Members

Age	<u>Disabled Member</u>		<u>Retired Members and Beneficiaries</u>	
	Number	Average Benefit	Number	Total Benefit
20-24	-	-	-	-
25-29	-	-	-	-
30-34	-	-	-	-
35-39	-	-	-	-
40-44	4	27,177	-	-
45-49	2	32,516	1	3,000
50-54	3	34,494	4	20,177
55-59	17	30,563	12	23,419
60-64	22	30,682	53	28,271
65-69	16	30,035	96	24,027
70-74	9	23,920	92	20,302
75-79	7	16,403	95	15,022
80+	8	14,036	192	8,947
<b>TOTAL</b>	<b>88</b>	<b>\$ 27,213</b>	<b>545</b>	<b>\$ 16,848</b>
				<b>\$ 9,182,386</b>

Age	<u>Total</u>	
	Number	Total Benefit
20-24	-	-
25-29	-	-
30-34	-	-
35-39	-	-
40-44	4	108,709
45-49	3	68,032
50-54	7	184,189
55-59	29	800,589
60-64	75	2,173,368
65-69	112	2,787,129
70-74	101	2,083,030
75-79	102	1,541,909
80+	200	1,830,163
<b>TOTAL</b>	<b>633</b>	<b>\$ 11,577,117</b>



Benefits shown are net of State reimbursed COLA.



## WEYMOUTH RETIREMENT SYSTEM

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### VALUATION METHODOLOGY

Stone Consulting, Inc. used the Entry Age Normal actuarial funding method in this actuarial valuation. The use of the Entry Age Normal actuarial funding method is consistent with the requirements of Chapter 32 of the Massachusetts General Laws.

#### NORMAL COST

		<b>January 1, 2007</b>	<b>% of Payroll*</b>
Gross Normal Cost (GNC)	\$	4,713,771	13.5%
Employees Contribution		<u>3,020,790</u>	<u>8.7%</u>
Net Normal Cost (NNC)	\$	1,692,981	4.8%
Adjusted to Beginning of Fiscal Year 2009	\$	128,548	
Administrative Expense	\$	<u>264,400</u>	0.8%
Adjusted Net Normal Cost With Admin. Expense	\$	2,085,929	

\*Payroll paid in 2006 for employees as of January 1, 2007 is \$34,808,391. Payroll for new hires in 2006 was annualized.

- The gross normal cost (GNC) is the “price” of benefits accruing in the current year if the assumptions underlying the normal cost were realized.
- An individual normal cost represents that part of the cost of a member’s future benefits that are assigned to the current year as if the costs are to remain level as a percentage of the member’s pay. Benefits payable under all circumstances (i.e., retirement, death, disability, and terminations) are included in this calculation.
- Anticipated employee contributions to be made during the year are subtracted from the GNC to determine employer normal cost, or net normal cost (NNC).
- Administrative expenses are added to the NNC. The administrative expense does not include investment manager and custodial fees. These fees are considered part of the interest rate assumption that is net of fees.



## WEYMOUTH RETIREMENT SYSTEM

### ACTUARIAL ACCRUED LIABILITY AND FUNDED STATUS

		January 1, 2007	Percentage Change
<b>Active Actuarial Accrued Liability</b>		\$ 86,893,860	16.9%
Superannuation	\$ 73,676,341		
Death	\$ 2,452,869		
Disability	\$ 8,554,126		
Termination	\$ 2,210,524		
<b>Retiree, Inactive, Survivor and Beneficiary Actuarial Accrued Liability</b>		<u>104,026,572</u>	3.9%
Retirees and Beneficiaries	\$ 79,386,662		
Disabled	\$ 23,741,408		
Inactive	\$ 898,502		
<b>Total Actuarial Accrued Liability (AAL)</b>		\$ <u>190,920,432</u>	9.4%
<b>Actuarial Value of Assets (AVA)</b>		\$ <u>137,332,984</u>	20.7%
<b>Unfunded Actuarial Accrued Liability</b>		\$ 53,587,448	-11.8%
<b>Funded Ratio (AVA / AAL)</b>			
2007 (8.00% interest rate):	72%		
2005 (8.00% interest rate):	65%		

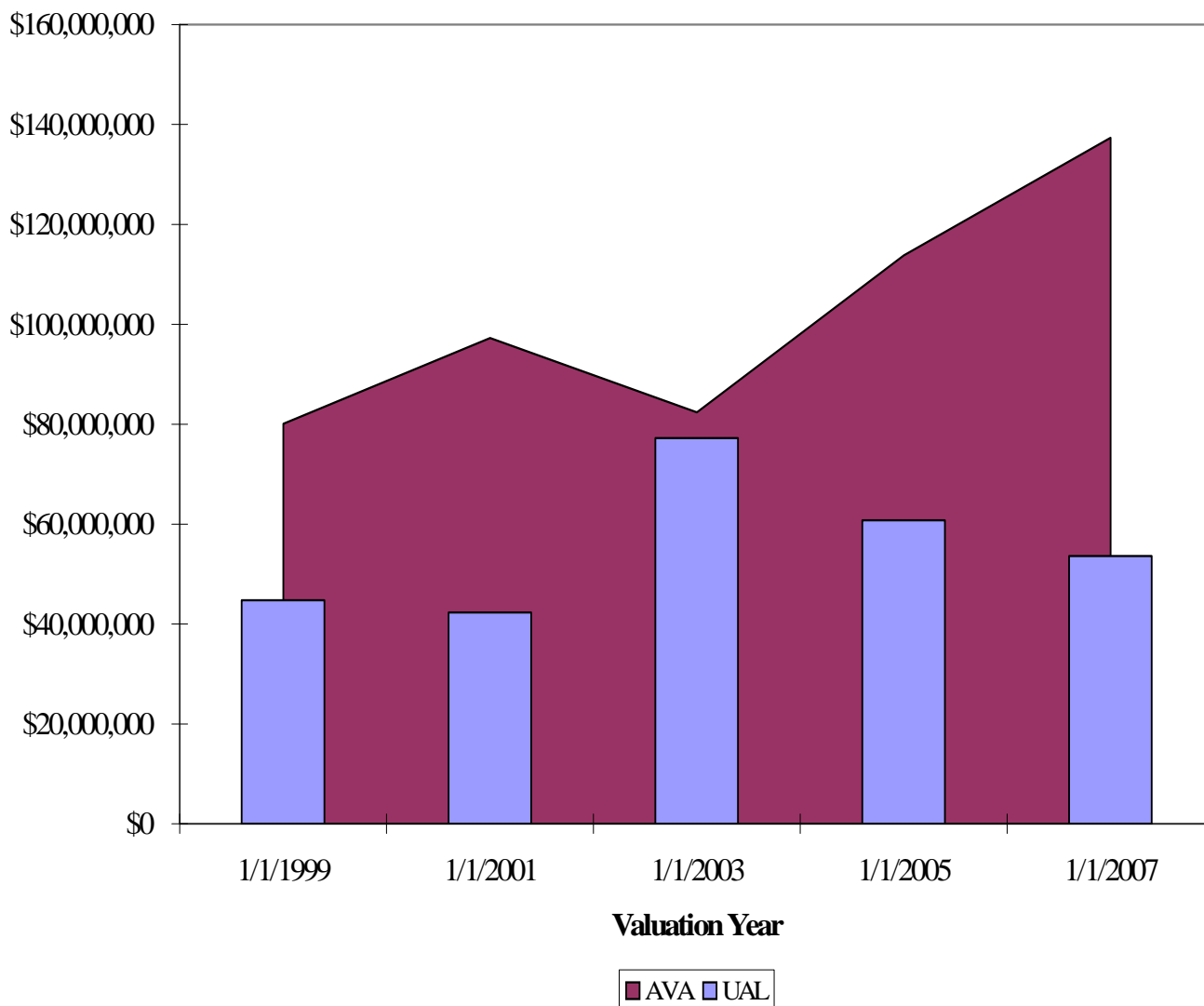
- Actuarial Accrued Liability (AAL) is the “price” of benefits attributable to benefits earned in past years, or in other words, representative of today’s value of all benefits earned by active and inactive members.
- The total AAL is \$190,920,432. This along with an actuarial value of assets of \$137,332,984 produces a funded status of 72%. This compares to a funded status of 65% for the 2005 valuation.

The chart on the following page is a history of the unfunded actuarial accrued liability (UAL) and the valuation assets (AVA) over the course of the past five actuarial valuations.



## WEYMOUTH RETIREMENT SYSTEM

### HISTORY OF ACTUARIAL VALUATION OF ASSETS (AVA) AND UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAL)





## WEYMOUTH RETIREMENT SYSTEM

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### DEVELOPMENT OF FUNDING SCHEDULE

Net Employer Normal Cost for Fiscal 2009	\$ 2,085,929
Amortization	\$ <u>5,910,127</u>
Total Appropriation required for Fiscal 2009	\$ 7,996,056

- The funding schedule is composed of the normal cost, and the amortization of the actuarial accrued unfunded liability, other than the liability associated with the early retirement incentive, and is adjusted by the administrative expense assumption. The contribution is assumed to be made at the beginning of the Fiscal Year (July 1).
- The contribution amount for Fiscal 2009 is \$7,996,056. The funding schedule is presented on page 14. The schedule length is thirteen (13) years (for the fresh start base), two years less than the prior valuation. The maximum funding schedule length allowed by Chapter 32 of the Massachusetts General Laws is twenty years to 2028.
- In Fiscal 2007, the City did not fully contribute the expected amount. The retirement board is exploring how to reflect this issue. This report used assets which do not reflect a receivable contribution due to this issue. In addition, the Government Accounting Standards Board disclosure may need to be revised to reflect this issue. We have recommended that the Board review this issue with their auditors.
- In developing the funding schedule, we used a fresh start approach in which the unfunded actuarial accrued liability is reamortized instead of maintaining the existing amortization amount and separately amortizing the actuarial gain or loss. The use of a fresh-start approach results in a funding schedule in which the changes in contribution amounts from year to year are more consistent. The amortization percentage changed from 2.45% from the January 1, 2005 valuation to 1.35%. The maximum amortization increase allowed under Chapter 32 is 4.5%. The change in amortization increase allows the contribution amount in Fiscal 2009 to be consistent with prior schedules.



## WEYMOUTH CONTRIBUTORY RETIREMENT SYSTEM

### FUNDING SCHEDULE

Fiscal Year	Normal Cost	Unfunded Liability	Funding Amortization of UAL	Schedule Contribution
2009	2,085,929	54,991,860	5,910,127	7,996,056
2010	2,190,225	53,008,272	5,995,450	8,185,676
2011	2,299,737	50,773,847	6,082,179	8,381,916
2012	2,414,724	48,267,001	6,170,344	8,585,068
2013	2,535,460	45,464,390	6,259,975	8,795,435
2014	2,662,233	42,340,768	6,351,106	9,013,338
2015	2,795,344	38,868,835	6,443,768	9,239,113
2016	2,935,112	35,019,072	6,537,998	9,473,109
2017	3,081,867	30,759,560	6,633,829	9,715,696
2018	3,235,961	26,055,790	6,731,299	9,967,259
2019	3,397,759	20,870,451	6,830,444	10,228,203
2020	3,567,646	15,163,207	6,931,305	10,498,951
2021	3,746,029	8,890,454	7,027,160	10,773,189
2022	3,933,330	2,012,358	316,656	4,249,986
2023	4,129,997	1,831,358	330,905	4,460,902
2024	4,336,497	1,620,489	345,796	4,682,293
2025	4,553,321	1,376,669	361,357	4,914,678
2026	4,780,987	1,096,537	377,618	5,158,605
2027	5,020,037	776,433	394,611	5,414,647
2028	5,271,039	412,368	412,368	5,683,407
2029	5,534,591	-	-	5,534,591

#### Amortization of Unfunded Liability as of July 1, 2008

Year	Type	Original Amort. Amount	Percentage Increasing	Original # of Years	Current Amort. Amount	Years Remaining
2005	ERI-HA	5,003	4.5%	24	5,966	20
2005	ERI-Town	144,831	4.50%	24	172,714	20
2006	ERI-HA	6,760	0.00%	15	6,760	12
2009	Fresh Start	5,724,687	1.35%	13	5,724,687	13

#### Notes on Amortization of Unfunded Liability

**Year** is the year the amortization base was established.

**Type** is the reason for the creation of the base. Examples are Gain/(Loss) or Fresh Start.

**Original Amortization Amount** is the annual amortization amount when the base was established.

**Percentage Increasing** is the percentage that the Original Amortization Amount increases per year.

**Original # of Years** is the number of years over which the base is being amortized.

**Current Amortization Amount** is the amortization payment amount for this year.

**Years Remaining** is the number of years left to amortize the base.



## WEYMOUTH RETIREMENT SYSTEM

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### ASSUMPTIONS AND METHODOLOGY SUMMARY

The principal actuarial assumptions used in this valuation are the same as the assumptions used in the previous valuation, except where noted, and are summarized in the following table:

<u>Assumption</u>	<u>January 1, 2007 Valuation</u>
Interest Rate	8.00% (same as prior valuation)
Salary Increase	5.00% (same as prior valuation)
COLA	3% of \$12,000
COLA Frequency	Granted every year
Mortality	RP-2000 table. For members retired under an Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as the disability. Disabled mortality RP-2000 table, ages set forward 7 years.
Overall Disability	<u>Groups 1 and 2</u> 50% ordinary disability 50% accidental disability  <u>Group 4</u> 10% ordinary disability 90% accidental disability
Retirement Rates	<u>Groups 1 and 2</u> Ages 55 - 65 <u>Group 4</u> Ages 50 – 65
Administrative Expense	\$264,400 budget estimated for FY 2009 provided by Weymouth Retirement Board.





## WEYMOUTH RETIREMENT SYSTEM

### ASSETS

a.	Cash	\$	975,076.59
b.	Equities		13,773,075.80
c.	Pooled Domestic Equity Funds		53,699,731.33
d.	Pooled International Equity Funds		21,050,313.01
e.	Pooled Domestic Fixed Income Funds		29,143,545.57
f.	Pooled Alternative Investments		1,520,642.16
g.	Pooled Real Estate Funds		17,232,329.27
<hr/>			
h.	Sub-Total:	\$	137,394,713.73
i.	Interest Due and Accrued	\$	.00
j.	Accounts Receivable		129,365.96
k.	Accounts Payable		(191,095.69)
<hr/>			
l.	Sub-Total:	\$	(61,729.73)
<hr/>			
m.	Market Value of Assets [(h) + (l)]	\$	137,332,984.00

- We were furnished with the System's annual report by the Board. The market value of assets as of December 31, 2006 (adjusted for interest due and accrued, payables and receivables) is \$137,332,984.00.
- The asset allocation is approximately 1% cash, receivables, payables and short-term investments, 21% fixed income, and 78% equities.
- Historically, 10 to 11% has been the expected long-term rate of return for equities, and 6 to 7% has been the expected long-term rate of return for fixed income securities. Many economists and investment professionals are projecting lower returns of 6.25 to 9.00% for equities and 3.65 to 6.00% for fixed income securities. In light of these projections, as well as historical investment returns, the 8.00% interest rate assumption is within the reasonable assumption range. We encourage close monitoring for changes in investment performance against expectations.



## WEYMOUTH RETIREMENT SYSTEM

### DISCLOSURE INFORMATION UNDER GASB STATEMENT 25

#### Schedules of Funding Progress

(Dollars In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll (B-A)/C
	A	B	B-A	A/B	C	
1/1/2007	\$137,333	\$190,920	\$53,587	72%	\$34,808	154%
1/1/2005	\$113,780	\$174,530	\$60,751	65%	\$30,671	198%
1/1/2003	\$82,343	\$159,560	\$77,217	52%	\$28,228	274%

#### Notes to Schedules

Additional information as of the latest actuarial valuation follows:

Valuation date 1/1/2007

Actuarial cost method Entry Age Normal

Amortization method Approximate level percent of payroll  
Closed

Remaining amortization period 13 years for the fresh start retirement benefits schedule; 20 years for the 2005 ERI's; and 12 years for the 2006 ERI's.

Asset valuation method Market value adjusted by accounts payable and receivables.  
Market value of assets is \$137,332,984.00.

Actuarial assumptions:

Investment Rate of Return 8.00% per year

Projected Salary Increases 5.00% per year



## WEYMOUTH RETIREMENT SYSTEM

### PERAC INFORMATION DISCLOSURE

The most recent actuarial valuation of the System was prepared by Stone Consulting, Inc. as of January 1, 2007

The normal cost for employees on that date was:                      \$3,020,790                      8.7% of payroll

The normal cost for the employer was:                      \$1,692,981                      4.9% of payroll

The actuarial liability for active members was:                      \$86,893,860

The actuarial liability for retired members was (includes inactives):                      \$104,026,572

Total actuarial accrued liability:                      \$190,920,432

System assets as of that date:                      137,332,984

Unfunded actuarial accrued liability:                      \$53,587,448

The ratio of system's assets to total actuarial liability was:                      72%

As of that date the total covered employee payroll was:                      \$34,808,391

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:                      8.00% per annum

Rate of Salary Increase:                      5.00% per annum

### SCHEDULE OF FUNDING PROGRESS (Dollars in \$000's)

Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a % of Covered Payroll ((b-a)/c)
1/1/2007	\$137,333	\$190,920	72%	\$34,808	154%
1/1/2005	\$113,780	\$174,530	65%	\$30,671	198%
1/1/2003	\$82,343	\$159,560	52%	\$28,228	274%



## WEYMOUTH RETIREMENT SYSTEM

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### ACTUARIAL METHODS AND ASSUMPTIONS

#### Actuarial Methods

1. Actuarial Cost Method  
The Entry Age Normal Actuarial Cost Method has been used in this valuation. Under this method, the normal cost is the amount calculated as the level percentage of compensation necessary to fully fund the prospective benefits from each member's entry age to retirement age.  
  
The actuarial accrued liability represents the theoretical accumulation of all prior years' normal costs for the plan members as if the program had always been in effect. The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over plan assets.
2. Asset Valuation Method  
Market value of assets (adjusted by payables and receivables).
3. Fiscal Year Adjustment  
The actuarial results are adjusted by the valuation interest rate and salary scale to the beginning of Fiscal Year 2009. The unfunded actuarial accrued liability is rolled forward with normal cost and further adjusted by anticipated contributions and interest.

#### Actuarial Assumptions

1. Investment Return  
8.00% per year net of investment expenses. (Same as the prior valuation)
2. Salary Increases  
5.00% per year. (Same as the prior valuation)



## WEYMOUTH RETIREMENT SYSTEM

### ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

3. Withdrawal Prior to Retirement

The rates shown at the following sample ages illustrate the withdrawal assumption. Withdrawal rates are set to zero if the retirement rate at that age is nonzero.

<i>Age</i>	<b>Rate of Withdrawal</b>	
	<i>Group 1 and 2</i>	<i>Group 4</i>
20	37.51%	3.15%
25	28.23%	2.85%
30	17.35%	2.48%
35	10.07%	1.88%
40	7.21%	0.84%
45	5.68%	0.06%
50	4.57%	0.00%
55	0.00%	0.00%

4. Disability Prior to Retirement

The rates shown at the following sample ages illustrate the assumption regarding the incidence of disability:

<i>Age</i>	<b>Rate of Disability</b>	
	<i>Group 1 and 2</i>	<i>Group 4</i>
20	0.03%	0.10%
25	0.04%	0.12%
30	0.06%	0.18%
35	0.08%	0.26%
40	0.12%	0.38%
45	0.18%	0.58%
50	0.31%	0.98%
55	0.50%	1.60%
60	0.61%	1.97%

Disability is assumed to be 50% ordinary and 50% accidental for Group 1 and 2 and 10% ordinary and 90% accidental for Group 4.



## WEYMOUTH RETIREMENT SYSTEM

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### ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

5. Rates of Retirement

The rates shown at the following ages illustrate the assumption regarding the incidence of retirement, once the member has achieved 10 years of service:

<b>Rates of Retirement</b>		
<i>Age</i>	<i>Group 1 and 2</i>	<i>Group 4</i>
50	N/A	2%
51	N/A	2%
52	N/A	2%
53	N/A	2%
54	N/A	2%
55	10%	5%
56	3%	5%
57	3%	5%
58	3%	5%
59	5%	5%
60	5%	10%
61	5%	10%
62	10%	20%
63	10%	20%
64	10%	20%
65	100%	100%

6. Mortality

The RP-2000 mortality table for healthy annuitants (sex-distinct).

7. Disabled Life Mortality

The RP-2000 mortality table for healthy annuitants (sex-distinct) set-forward by 7 years. Death is assumed to be due to the same cause as the disability 40% of the time.

8. Regular Interest Rate Credited to Annuity Savings Account

2% per year.



## WEYMOUTH RETIREMENT SYSTEM

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### ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

- |                              |  |
|------------------------------|--|
| 9. Family Composition        | Members assumed married with 2 dependent children – one male and one female both age 15; age difference between member and spouse assumed to be 3 years (the male being the older).                            |
| 10. Cost-of-Living Increases | A 3% COLA on the first \$12,000 of a member's retirement allowance is assumed to be granted every year.  |
| 11. Administrative Expenses  | Estimated budgeted amount of \$264,400 for the Fiscal Year 2009 excluding investment management fees and custodial fee is added to the Normal Cost.  |
| 12. Step Increases           | Step increases are assumed to be part of the salary increase assumption.   |
| 13. Credited Service         | Service between date of hire and date of membership is assumed to be purchased by all members.   |
| 14. Contribution Timing      | Contributions are assumed to be made at the beginning of the fiscal year (July 1).   |
| 15. Salary Augmentation      | Salaries were increased to reflect the salary augmentation provision. This increase was restricted to those employees whose salaries are expected to be augmented prior to the end of the next union contract. |
| 15. Valuation Date           | January 1, 2007.   |



## WEYMOUTH RETIREMENT SYSTEM

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### SUMMARY OF PRINCIPAL PROVISIONS

1. Participant

Participation is mandatory for all full-time employees whose employment commences before age 65. There are three classes of members in the retirement system:

*Group 1:* general employees

*Group 2:* employees in specified hazardous occupations (e.g., electricians)

*Group 4:* police and firefighters
2. Member Contributions

Member contributions vary depending upon date hired as follows:

<b>Date of Hire</b>	<b>Member Contribution Rate</b>
Prior to 1975	5% of Pay
1975 – 1983	7% of Pay
1984 – June 30, 1996	8% of Pay
After June 30, 1996	9% of Pay

Members hired after 1978 contribute an additional 2% of pay over \$30,000.
3. Pay
  - a. Pay

Gross regular compensation excluding bonuses, overtime, severance pay, unused sick pay, and other similar compensation.
  - b. Average Pay

The average of pay during the 3 consecutive years that produce the highest average or, if greater, during the last three years (whether or not consecutive) preceding retirement.
4. Credited Service

Period during which an employee contributes to the retirement system plus certain periods of military service and “purchased” service.





## WEYMOUTH RETIREMENT SYSTEM

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### SUMMARY OF PRINCIPAL PROVISIONS (Continued)

#### 5. Service Retirement

- a. Eligibility Completion of 20 years of credited service or attainment of age 55 and completion of 10 years of credited service. If hired prior to 1978 or a member of group 4, attainment of age 55.
- b. Retirement Allowance Determined as the product of the member's benefit percentage, average pay and credited service, where the benefit percentage is shown below (maximum allowance of 80% of average pay):

<b>Benefit Percentage</b>	<b>Group 1</b>	<b>Group 2</b>	<b>Group 4</b>
2.5%	65+	60+	55+
2.4	64	59	54
2.3	63	58	53
2.2	62	57	52
2.1	61	56	51
2.0	60	55	50
1.9	59	N/A	49
1.8	58	N/A	48
1.7	57	N/A	47
1.6	56	N/A	46
1.5	55	N/A	45

In addition, veterans receive an additional \$15 per year for each year of credited service up to 20 years.

#### 6. Deferred Vested Retirement

- a. Eligibility Completion of 10 years of credited service (for elected and appointed members, 6 years in the event of involuntary termination).



## WEYMOUTH RETIREMENT SYSTEM

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### SUMMARY OF PRINCIPAL PROVISIONS (Continued)

6. Deferred Vested Retirement *(continued)*
- b. Retirement Allowance                      Determined in the same manner as 5b. with the benefit payable at age 55, unless deferred until later at the member's option.
- Member contributions with interest may be withdrawn after separation from service. If contributions are withdrawn, eligibility for retirement benefits is forfeited. Members hired before 1984 receive full interest on contributions that are withdrawn; otherwise, one half the credited interest is provided for members who withdraw after 5 but before 10 years of credited service and no interest is provided for withdrawals before 5 years of credited service.
7. Ordinary Disability Retirement
- a. Eligibility                                      Non-job related disability after completion of 10 years of credited service.
- b. Retirement Allowance                      Determined in the same manner as 5b. with the benefit payable immediately. Veterans receive 50% of pay (during final year) plus an annuity based on accumulated member contributions with interest.
8. Accidental Disability Retirement
- a. Eligibility                                      Disabled as a result of an accident in the performance of duties. No age or service requirement.
- b. Retirement Allowance                      72% of pay plus an annuity based on accumulated member contributions with interest. Also, a dependent's allowance per year for each child. Total allowance not to exceed 100% of pay (75% for members hired after 1987).



## WEYMOUTH RETIREMENT SYSTEM

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### SUMMARY OF PRINCIPAL PROVISIONS (Continued)

9. Non-Occupational Death

- a. Eligibility Dies while in active service, but not due to occupational injury. 2 years of service.
- b. Retirement Allowance Benefit as if Option C had been elected (see below). Minimum monthly benefits provided as follows: spouse - \$250, first child - \$120, each additional child - \$90.

10. Occupational Death

- a. Eligibility Dies as a result of an occupational injury.
- b. Benefit Amount Same as 8b.

11. Cost-of-Living Increases

An increase of up to 3% applied to the first \$12,000 of annual benefit. Funded by the Municipality from Fiscal Year 1999. Percentage increase is voted on each year by the Retirement Board. Cost-of-living increases granted during Fiscal Year 1982 through Fiscal 1998 are reimbursed by the Commonwealth.

12. Optional Forms of Payment

- a. Option A Allowance payable monthly for the life of the member.
- b. Option B Allowance payable monthly for the life of the member with a guarantee of remaining member contributions with interest.
- c. Option C Allowance payable monthly for the life of the member with 66-2/3% continuing to the member's beneficiary upon the member's death. If the beneficiary predeceases the member, the allowance amount "pops up" to the non-reduced amount.



## WEYMOUTH RETIREMENT SYSTEM

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### GLOSSARY OF TERMS

1.     Present Value of Benefits     Represents the dollar value today of all benefits expected to be earned by current members if all actuarial assumptions are exactly realized.
2.     Actuarial Cost Method     The procedure that is used to allocate the present value of benefits between the liability that is attributable to past service (Actuarial Accrued Liability) and that attributable to future service.
3.     Actuarial Assumptions     Estimates are made as to the occurrence of certain events that determine the level of benefits to be paid and how long they will be provided. The more important actuarial assumptions include the investment return on assets, salary increases and the rates of turnover, disability, retirement and mortality.
4.     Actuarial Accrued Liability     The portion of the Present Value of Benefits that is attributable to past service.
5.     Normal Cost     The portion of the Present Value of Benefits that is attributable to benefits to be earned in the coming year.
6.     Actuarial Assets     Market value of assets (adjusted by payables and receivables).
7.     Unfunded Actuarial Accrued Liability     That portion of the Actuarial Accrued Liability not covered by System Assets.
8.     PERAC     Public Employee Retirement Administration Commission, a division of the State government which has regulatory authority over the administration of the retirement system.
9.     PRIT     Pension Reserves Investment Trust Fund is the state controlled and administered fund for the investment of assets for members of the retirement system.
10.    GASB     Government Accounting Standards Board (issues guidance for disclosure of retirement system liabilities).